

Message Text

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TO AMEMBASSY ROME

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C O N F I D E N T I A L STATE 037521

E.O. 11652: GDS

TAGS: ENRG, IT

SUBJECT:DRAFT JOINT STATEMENT FOR ITALIAN - US ENERGY
WORKING GROUP (EWG)

REF: ROME 1385; STATE 11317; ROME 2219

OECD PARIS FOR J. KATZ, S. BOSWORTH

1. FOLLOWING IS REVISED US DRAFT OF JOINT STATEMENT
WHICH EMBASSY IS REQUESTED TO PASS TO AND DISCUSS WITH
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MFA ENERGY COORDINATOR MIGLIUOLO. DRAFT REFLECTS
SUGGESTIONS CONTAINED IN ITALIAN TEXT (ROME 1385) AS
WELL AS DISCUSSION BETWEEN MIGLIUOLO AND THEN ASSISTANT
SECRETARY ENDERS JANUARY 29 IN PARIS. FOR EMBASSY

BACKGROUND INFORMATION, FOLLOWING POINTS SHOULD PROVE HELPFUL IN DISCUSSION WITH MIGLIUOLO.

2. THIS DRAFT CONSTITUTES THE MOST POSITIVE COMMITMENT WE WERE ABLE TO GET FROM BOTH ERDA AND EXIM. WE BELIEVE THAT ANY ITALIAN NEGOTIATING EFFORT AT THIS POINT TO EXTRACT FURTHER COMMITMENTS - PARTICULARLY IN CASE OF ERDA - WOULD BE COUNTERPRODUCTIVE AND POSSIBLY RESULT IN BACK-TRACKING FROM UNDERTAKINGS PREVIOUSLY AGREED TO.

3. MIGLIUOLO STRONGLY DESIRES THAT REFERENCE BE MADE IN THE INTRODUCTORY PARAGRAPH OF THE STATEMENT TO AN EXCHANGE OF LETTERS BETWEEN PRESIDENT FORD AND PRIME MINISTER MORO IN EARLY 1975 REGARDING THE IEA LONG-TERM

PROGRAM WHICH ITALIANS CONSIDER TO BE THE GENESIS OF THE EWG. (MORO LETTER EXPLICITLY URGES US ASSISTANCE FOR ITALY'S AMBITIOUS NUCLEAR PROGRAM). WHILE WE WOULD PREFER NOT TO CITE THE LETTERS, IT WOULD BE DIFFICULT AT THIS STAGE TO DELETE ANY REFERENCE TO THEM. THUS WE HAVE AGREED TO MENTION THE EXCHANGE OF LETTERS; ALTHOUGH YOU SHOULD INFORM MIGLIUOLO THAT FOR OUR PART WE PREFER NOT TO RELEASE THE TEXTS. TO DO SO WOULD SET A VERY BAD PRECEDENT.

4. MIGLIUOLO WANTED LANGUAGE IN THE URANIUM SECTION (PARA 4 ROME 1385) GUARANTEEING ITALY ACCESS TO ANY FUTURE US NATURAL AND/OR ENRICHED URANIUM STOCKPILES. WE ARE UNABLE TO ACCEPT THIS. OUR POSITION IS THAT SINCE WE HAVE NOT YET MADE DECISIONS TO CONSTITUTE STOCKPILES IN EITHER OF THESE AREAS IT IS PREMATURE TO TALK OF ACCESS. YOU SHOULD POINT OUT TO MIGLIUOLO THAT WE HAVE, HOWEVER, MADE PROMINENT REFERENCE TO DISCUSSIONS UNDERWAY IN THE IEA - IN WHICH BOTH WE AND THE ITALIANS ARE PARTICIPATING - REGARDING THE FEASIBILITY OF ESTABLISHING SUCH STOCKPILES.

5. MIGLIUOLO ALSO SOUGHT A US GUARANTEE WHEREBY ITALY WOULD BE ABLE TO CONTINUE ENRICHMENT SERVICE OFFTAKE
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EVEN IF IT WERE UNABLE TO PROVIDE THE REQUIRED NATURAL URANIUM (PARA 4 ROME 1385). (NOTE: PURCHASERS OF US ENRICHMENT SERVICES ARE REQUIRED TO SUPPLY TO ERDA THEIR OWN NATURAL URANIUM FEEDSTOCK). IN MEETING WITH ENDERS, MIGLIUOLO ALLUDED TO "PREFERENTIAL" ENRICHMENT SERVICE TREATMENT WHICH US ALLEGEDLY ACCORDS TO JAPAN AND ASKED THE SAME FOR ITALY. HE WAS EVIDENTLY REFERRING TO A JAPANESE UNDERTAKING IN 1972 WHEREBY THEY AGREED TO PURCHASE AND PAY IN ADVANCE FOR SOME \$320 MILLION IN US ENRICHMENT SERVICES WITH THE ACTUAL DELIVERY TO TAKE PLACE OVER THE PERIOD 1976-81. UNDER THAT AGREEMENT THE JAPANESE ARE NEVERTHELESS REQUIRED TO SUPPLY FEEDSTOCK AT THE TIME OF ENRICHMENT OFFTAKE

COMMENSURATE WITH THE AMOUNT OF SERVICES THEY RECEIVE.
A SIMILAR OFFER WAS EXTENDED TO EURATOM, BUT WAS EXPLORED
ONLY BY FRG, WHICH ULTIMATELY DECIDED AGAINST ACCEPTANCE.
EMBASSY SHOULD CLARIFY THE ABOVE FOR MIGLIUOLO.

6. IN THE ENRICHMENT SECTION OF THE JOINT STATEMENT
ITALIANS SEEK REFERENCE TO KISSINGER STATEMENT AT
FEBRUARY 1974 WASHINGTON ENERGY CONFERENCE REGARDING
THE POSSIBLE SHARING OF US ENRICHMENT TECHNOLOGY.
MIGLIUOLO DRAFT INACCURATELY REFERS TO "US PLEDGE ...
TO MAKE POSSIBLE THE TRANSFER OF ENRICHMENT AND
REPROCESSING TECHNOLOGIES..." (PARA 5 (C) ROME 1385).

EMBASSY SHOULD POINT OUT TO MIGLIUOLO THAT THE SECRETARY'S
SPEECH STATED THAT US IS PREPARED TO EXAMINE RPT EXAMINE
THE SHARING OF TECHNOLOGY... AND THAT PRESENT DRAFT
CONTAINS LANGUAGE TO THIS EFFECT. EMBASSY MAY REMIND
MIGLIUOLO, FURTHERMORE, THAT THE CONDITIONS UNDER WHICH
SUCH TECHNOLOGY SHARING MIGHT TAKE PLACE WITH THE ITALIANS
- I.E., STEP-BY STEP APPROACH - WERE SPILLED OUT IN
CONSIDERABLE DETAIL AT BOTH AUGUST 25 EWG TECHNICAL
SESSION AND SEPTEMBER 5 EWG MEETING AT WHICH MIGLIUOLO WAS
PRESENT.

7. MIGLIUOLO DRAFT MENTIONS AT TWO POINTS CONCEPT OF
"EQUAL" OR "NO LESS FAVORABLE" TREATMENT FOR ITALY
(PARAS 2 & 4, ROME 1385). WHILE WE DO NOT OBJECT IN
PRINCIPLE TO THE GENERAL CONCEPT, WE PREFER TO AVOID THE
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POSSIBLE PITFALLS THAT COULD RESULT FROM USE OF SUCH
LANGUAGE. FOR EXAMPLE, IT IS CONCEIVABLE THAT WE COULD BE
PRECLUDED IN THE FUTURE FROM OFFERING TO ITALY OR ANY
COUNTRY THE SAME CONDITIONS THAT PREVAILED IN THE PAST FOR
OTHERS. SUCH MIGHT RESULT FROM US LEGISLATION, REGULA-
TIONS, OR FROM UNDERTAKINGS DERIVING FROM THE CONFIDENTIAL
SUPPLIERS GUIDELINES WHICH COULD IMPOSE MORE RIGID
CONDITIONS THAN APPLIED IN PAST. IF ITALIANS PERSIST IN
SEEKING REFERENCE TO "EQUAL TREATMENT", WE COULD PROBABLY
ACCEPT A CLAUSE THAT WOULD MAKE EXPLICIT THAT THE EQUAL
TREATMENT WOULD RELATE TO THE PRESENT RATHER THAN TO THE
PAST.

8. BEGIN TEXT: DRAFT JOINT STATEMENT
FOLLOWING AN EXCHANGE OF MESSAGES BETWEEN PRESIDENT
FORD AND PRIME MINISTER MORO IN EARLY 1975, ITALY AND
THE UNITED STATES HAVE UNDERTAKEN INTENSIVE CONSULTATIONS
AIMED AT EXPANDING THEIR TRADITIONAL COOPERATION IN THE
FIELD OF ENERGY. BOTH COUNTRIES ARE DETERMINED TO
COOPERATE IN SEEKING SOLUTIONS TO THE PROBLEMS RESULTING
FROM THE SHARP INCREASE IN OIL PRICES AS WELL AS IN
WORKING TO ACHIEVE THE OBJECTIVES OF SOLIDARITY EMBODIED

IN THE AGREEMENT ESTABLISHING THE INTERNATIONAL ENERGY AGENCY (IEA). IN THIS SPIRIT THEY HAVE EXPLORED THE POSSIBILITY OF IMPLEMENTING LONG-TERM EFFORTS IN ENERGY CONSERVATION, THE ACCELERATED DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES, AND RESEARCH AND DEVELOPMENT IN THE ENERGY FIELD. IN ORDER TO FURTHER THESE OBJECTIVES AND CONSIDERING THAT, IN THE NEAR TERM, THE ONLY SIGNIFICANT ALTERNATIVE SOURCE OF ENERGY AVAILABLE TO ITALY IS TO BE FOUND IN THE NUCLEAR SECTOR, THE UNITED STATES AND ITALY THEREFORE AGREED TO THE ESTABLISHMENT OF A BILATERAL ENERGY WORKING GROUP TO DISCUSS POSSIBLE COOPERATION IN THAT SECTOR.

THE DECISION OF THE ITALIAN GOVERNMENT TO UNDERTAKE A 20,000 MW NUCLEAR PROGRAM AT AN ESTIMATED COST OF \$16 BILLION AT 1975 PRICES WAS CONSIDERED AN IMPORTANT STEP TOWARD DIVERSIFICATION OF ITALY'S ENERGY SOURCES IN ORDER TO BRING ABOUT A REDUCTION IN ITS PRESENT HEAVY RELIANCE ON IMPORTED OIL.
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THE UNITED STATES HAS THEREFORE EXPRESSED ITS WILLINGNESS TO EXTEND ITS SUPPORT IN CARRYING OUT THE PROGRAM. TO THIS EFFECT THE DISCUSSIONS OF THE ENERGY WORKING GROUP, WHICH HAS MET PERIODICALLY IN WASHINGTON AND ROME SINCE MAY 1975, HAVE FOCUSED ON THE FOLLOWING AREAS WHICH BOTH COUNTRIES AGREE ARE IMPORTANT TO ACHIEVING THE OBJECTIVES OF THE ITALIAN NUCLEAR PROGRAM.

EXPORT FINANCING: ITALY AND UNITED STATES AGREE THAT CAPITAL AVAILABILITY WILL CRITICALLY AFFECT EFFORTS BY OIL-IMPORTING NATIONS TO REDUCE DEPENDENCE ON IMPORTED OIL THROUGH THE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES. THE TWO COUNTRIES HAVE HELD EXTENSIVE TALKS ON THE FINANCING OF THE ITALIAN NUCLEAR PROGRAM. ITALY HAS EXPRESSED INTEREST IN RECEIVING UP TO \$3.5 BILLION OF THE ESTIMATED PROGRAM COST OF \$16 BILLION FROM U.S. FINANCIAL SOURCES. BOTH SIDES RECOGNIZE THAT LARGE AMOUNTS OF BOTH PUBLIC AND PRIVATE CAPITAL WILL BE NECESSARY FOR SUCCESSFUL IMPLEMENTATION OF THE PROGRAM.

THE EXPORT-IMPORT BANK OF THE UNITED STATES IS WORKING WITH ITALIAN FINANCIAL AND TECHNICAL PERSONNEL TO HELP SECURE THAT PORTION OF THE EXTERNAL CAPITAL TO BE RAISED IN THE U.S. FOR THE ITALIAN NUCLEAR PROGRAM. THE BANK HAS AGREED TO ASSIST ITALY IN ITS CONTACTS WITH U.S. PRIVATE INVESTORS, WHILE CONFIRMING ITS OWN INTEREST IN PARTICIPATING DIRECTLY IN THE FINANCING OF U.S. EQUIPMENT EXPORTS FOR THE ITALIAN PROGRAM.

NATURAL URANIUM: THE UNITED STATES AND ITALY HAVE AGREED TO AN EXCHANGE OF TECHNICIANS WHICH WOULD ENABLE ITALY

TO SEND TECHNICAL PERSONNEL TO WORK WITH AND GAIN GREATER FAMILIARITY WITH THE ENERGY-RESEARCH AND DEVELOPMENT ADMINISTRATION'S (ERDA) NATURAL URANIUM RESOURCE EVALUATION (NURE) PROGRAM. THE NURE PROGRAM IS A COMPREHENSIVE FIVE-YEAR \$250 MILLION UNDERTAKING BY ERDA TO MORE ACCURATELY ASSESS THE U.S. URANIUM RESERVE POSITION THROUGH RADIOMETRIC SURVEYS, HYDROGEOCHEMICAL SAMPLING AND GEOLOGIC INVESTIGATIONS. THE OBJECTIVE OF ITALIAN PARTICIPATION WOULD BE THE ACQUISITION OF CONFIDENTIAL

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TECHNICAL KNOW-HOW AND THE POSSIBLE IMPLEMENTATION OF A SIMILAR PROGRAM IN ITALY OR IN THIRD COUNTRIES.

IN RESPONSE TO ITALIAN CONCERN THE UNITED STATES HAS AGREED TO MAKE THE FOLLOWING "BEST EFFORTS" OFFER TO ASSIST ITALY IN THE EVENT OF A NATURAL URANIUM SUPPLY SHORTFALL.

"IF ITALY ENCOUNTERS A SHORTAGE OF NATURAL URANIUM AFTER MAKING A REASONABLE, BUT UNSUCCESSFUL EFFORT TO LOCATE A SUPPLY, THE U.S. WOULD OFFER ASSISTANCE TO THE EXTENT POSSIBLE, BOTH ON A SHORT-TERM AND LONG-TERM BASIS.

IN THE SHORT-TERM THE U.S. WOULD FURNISH ANY INFORMATION IN ITS POSSESSION AS TO POTENTIAL SOURCES OF URANIUM THAT WOULD HELP ITALY IN THE PROCUREMENT FROM THESE SOURCES. ON A LONG-TERM BASIS THE U.S. WOULD OFFER APPROPRIATE U.S. TECHNICAL ADVICE AND/OR ASSISTANCE, TO THE EXTENT AVAILABLE, IN THE DEVELOPMENT OF NEW SOURCES OF SUPPLY. UPON THE REQUEST OF ITALY ERDA WILL ASSIST IN ARRANGING CONTACTS WITH US MINING COMPANIES OPERATING IN THE UNITED STATES OR THIRD COUNTRIES.

THE ABOVE ASSISTANCE WOULD IMPOSE NO RESTRICTIONS ON WHERE THE NATURAL URANIUM COULD BE ENRICHED."

THE UNITED STATES AND ITALY HAVE ALSO AGREED ON THE IMPORTANCE OF CONTINUING AN EXCHANGE OF VIEWS ON ISSUES RELATING TO THE LONG-TERM SUPPLY AND DEMAND FOR URANIUM BOTH BILATERALLY AND WITHIN THE CONTEXT OF THE INTERNATIONAL ENERGY AGENCY, AS WELL AS ON ISSUES RELATING TO THE POSSIBLE EVENTUAL ESTABLISHMENT OF A NATURAL AND/OR ENRICHED URANIUM STOCKPILE AND EMERGENCY SHARING AGREEMENT. THE TWO COUNTRIES ARE CURRENTLY ENGAGED IN DISCUSSIONS IN THE INTERNATIONAL ENERGY AGENCY REGARDING THE FEASIBILITY OF ESTABLISHING SUCH STOCKPILES.

ENRICHMENT AND REPROCESSING: THE UNITED STATES AND ITALY HAVE AGREED TO CONTINUE PERIODIC BILATERAL CONSULTATIONS IN THE AREAS OF ENRICHMENT AND CHEMICAL REPROCESSING

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WITHIN THE CONTEXT OF THE ENERGY WORKING GROUP. THE
PURPOSE OF THESE CONSULTATIONS WILL BE:

A) TO ENABLE ITALY TO BE FULLY INFORMED REGARDING
THE EVOLVING U.S. POLICIES AND CHANGING SITUATIONS IN
THESE FIELDS;

B) TO PROVIDE A FRAMEWORK FOR POSSIBLE FUTURE
COOPERATION BETWEEN THE TWO COUNTRIES IN ATTEMPTING TO
ENSURE THAT FUTURE ENRICHMENT AND REPROCESSING REQUIRE-
MENTS ARE MET.

THE ABOVE CONSULTATIONS WILL BE CARRIED OUT WITHIN THE
CONTEXT OF THE US EXPRESSION OF WILLINGNESS AT THE
FEBRUARY 1974 WASHINGTON ENERGY CONFERENCE TO EXAMINE
THE SHARING OF ENRICHMENT TECHNOLOGY WITHIN A FRAMEWORK
OF BROAD ENERGY COOPERATION.

MEANWHILE, THE ENERGY RESEARCH AND DEVELOPMENT ADMINIS-
TRATION (ERDA) WILL CONTINUE TO ASSIST ITALY IN
ARRANGING CONTACTS WITH PRIVATE US FIRMS IN THE ENRICH-
MENT AND CHEMICAL REPROCESSING SECTORS AS WAS DONE IN
SEPTEMBER 1975 AT THE TIME OF AN ENERGY WORKING GROUP
MEETING IN WASHINGTON.

WASTE MANAGEMENT: THE UNITED STATES AND ITALY HAVE AGREED
TO COOPERATE IN DEVELOPING BILATERAL AND/OR MULTILATERAL
WASTE MANAGEMENT RESEARCH AND DEVELOPMENT PROGRAMS WITHIN
THE CONTEXT OF THE INTERNATIONAL ENERGY AGENCY. SUCH
COOPERATION IS EXPECTED TO TAKE THE FORM OF JOINT
SPONSORSHIP OF TECHNICAL PROGRAMS AS WELL AS EXCHANGES
OF DATA AND TECHNICIANS. THE ENERGY RESEARCH AND
DEVELOPMENT ADMINISTRATION (ERDA) HAS ALSO AGREED TO
RECEIVE ITALIAN TECHNICAL PERSONNEL AT ITS WASTE MANAGE-
MENT FACILITIES AT HANFORD WASHINGTON AND IDAHO FALLS.
ITALY WILL RECIPROCATATE IN INVITING U.S. TECHNICIANS TO
VISIT SIMILAR ITALIAN FACILITIES. END TEXT. INGERSOLL

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